



San Diego County Investment Pool
An investment trust fund of the County of San Diego, CA

2009

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2009



Issued by Dan McAllister
San Diego County Treasurer - Tax Collector



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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL FROM THE TREASURER



Dan McAllister
San Diego County Treasurer-Tax Collector



TREASURER-TAX COLLECTOR COUNTY OF SAN DIEGO



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November 10, 2009

**Board of Supervisors and Treasury Oversight Committee, County of San Diego
San Diego County Administration Center. San Diego, California 92101**

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the San Diego County Investment Pool (the "Investment Pool") for the fiscal year ended June 30, 2009. This report and the annual audit are presented to demonstrate compliance with Section thirty-three of the Investment Pool's Money Fund Investment Policy (the "Investment Policy"). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Treasurer's Office.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects, and are reported in a manner designed to present fairly the financial position and changes in financial position of the Investment Pool in conformity with accounting principles generally accepted in the United States of

America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. All disclosures necessary to enable the reader to gain an understanding of the Investment Pool's financial activities have been included.

The Investment Pool's financial statements have been audited by Nigro Nigro & White, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Investment Pool for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor

concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Investment Pool's financial statements as of and for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management provides a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The Investment Pool's MD&A can be found after the independent auditors' report.

Profile of the San Diego County Investment Pool

The San Diego County Investment Pool (the "Investment Pool") was created when the State Legislature established the five-member County Board of Supervisors in 1853. It is a local government investment pool with \$5.7 billion in assets as of June 30, 2009. The Investment Pool is headed by the San Diego County Treasurer-Tax Collector, an elected official that is responsible for tax collection, banking, investment, disbursement and accountability of public funds. The Investment Pool is managed by the Treasurer's Office on behalf of the Investment Pool participants. The County portion of the Investment Pool assets as of June 30, 2009 is \$1.9 billion while the external, non-County portion is \$3.8 billion. Depositors in the Investment Pool include both mandatory and voluntary participants located within the County of San Diego.

Mandatory participants include the County of San Diego, K-12 school districts, and various special districts and accounts controlled by the County Board of Supervisors. Mandatory participants are defined as those agencies required by law to deposit their funds with the County Treasurer's Office. Mandatory participants comprise the majority of the Investment Pool's assets, approximately 97.1% as of June 30, 2009.

Voluntary participants are those agencies that are not required to place their funds in the Investment Pool, and do so only as an investment option. Voluntary participants include cities, fire districts, and various special districts. As of June 30, 2009, voluntary participants accounted for approximately 2.9% of the Investment Pool.

Community colleges have characteristics of both mandatory and voluntary participants. While they have the authority to invest funds outside of the Investment Pool, community colleges receive banking, checking, and investment services from the County. In this financial report, they are categorized as mandatory participants.

In addition to investment management, the Treasurer's Office also provides banking services to all mandatory participants. These services include, but are not limited to, warrant redemption, electronic fund transfers, acceptance of deposits, and fund accounting.

Investment Policies and Practices

The primary objectives of the Investment Pool, as set forth in the Investment Policy, in order of importance, are safety, liquidity, and yield. The following goals have been set for the fiscal year 2009/2010:

- Promote fiscal stability by maintaining an 'AAAf/S1' rating from Standard & Poor's rating agency.
- Improve investment benchmark management process by continuing implementation of the portfolio analysis application.
- Improve constituent outreach by increasing public awareness of services offered by the Investment Division.
- Obtain a certificate of achievement for excellence in financial reporting by the Government Finance Officers Association.
- Achieve national certification of the Investment Policy by the Association of Public Treasurers of the United States & Canada.

The Treasurer's Office prepares the Investment Policy on an annual basis to ensure the integrity of the Investment Pool and to provide guidelines for its operation. Upon completion of the Investment Policy by the Treasurer's Office, it is presented for review to the Treasurer's Oversight Committee, and then to the County Board of Supervisors for their approval at a public meeting.

The maturity distribution of the Investment Pool is limited by the Investment Policy, which places restrictions on the securities that may be purchased. Cash temporarily idle during the year was invested in negotiable certificates of deposit, obligations of the U.S. Treasury, U.S. government agency securities, commercial paper, corporate bonds and medium-term notes, asset-backed securities, money market mutual funds, repurchase agreements and collateralized certificates of deposit. The maturities of the investments range from one day to five years, with an average weighted maturity of 323 days. The weighted average effective yield (annualized) on investments as of June 30, 2009 was 1.53%.

To safeguard the investments, a custodian is employed to safekeep, settle, and accept interest payments on investments held by the Investment Pool. To facilitate internal security and to provide safeguards, the Investment Policy requires an annual audit and the establishment and maintenance of internal controls and procedures.

For the 2008/2009 fiscal year, investments provided a 2.36% apportionment rate, which is the rate used in allocating the net earnings to the participants. The Investment Pool's apportionment rate over the last three and five years was 3.99% and 3.54%, respectively. The Treasurer's Office has implemented a system of internal controls designed to ensure the reliability of reported investment information. The Treasurer's Office provides monthly investment reports for the Treasury Oversight Committee, who monitors the management of funds and reviews the Investment Policy. Please refer to the Investment Section of this CAFR for additional information on investments.

Significant Events of the Year

During the fiscal year 2008/2009, significant events included:

(1) The Investment Pool remained rated 'AAAf/S1' by Standard & Poor's, a nationally recognized rating agency. This rating of 'AAA' indicates the extremely strong protection that the Investment Pool's portfolio investments provide against losses from credit defaults. The 'S1' volatility rating signifies that the Investment Pool possesses low-sensitivity to changing market conditions, given its low-risk profile and conservative investment policies.

Rating considerations included:

- Low exposure to market risk, by virtue of conservative investment policies and practices;
- Limited use of leverage;
- High standards for credit quality and diversification;
- High degree of liquidity resulting from maturity profile and composition of Investment Pool participants;
- Strong ability to forecast ongoing cash requirements; and
- Solid management oversight and operational controls.

(2) Further deterioration of the housing market, the ongoing credit crisis and uncertainty surrounding the State's own budget crisis contributed to slow economic growth and declining Investment Pool yields during fiscal year 2008/2009. Throughout this period of economic uncertainty, the Investment Pool remained invested in securities of the highest quality. Holdings of U.S. Treasury and Agency securities were increased from 67.0% to 69.7% of the portfolio's total fair value during the fiscal year ended June 30, 2009. Actions taken during the past year in response to the economic conditions include the following:

- Purchases of corporate securities were limited to maturities under 60 days.
- Liquid investments were limited to government-only money market funds and other money market vehicles backed by the Federal government.
- In most cases, certificate of deposit maturities were limited to between three and six months.

(3) In response to the weakening financial markets, the Federal Reserve reduced the Federal Funds rate from 2.00% to a range of 0%-0.25% during fiscal year 2008/2009. As a result of these rate cuts, interest rates on fixed income securities declined significantly; and the Investment Pool's yield decreased by 180 basis points from the prior fiscal year end. In anticipation of the uncertainty surrounding the State's budget and the resulting effect on the cash flows of the Investment Pool participants, the Investment Pool invested a sizeable portion of its assets in liquid securities in the event that unexpected participant withdrawals were made.

County of San Diego's Economic Condition

Like the national economy, the County has been impacted by the economic slump for most of fiscal year 2008/2009. As expected, unemployment for the region rose to 10.2% in June 2009 from 5.9% in June 2008. However, San Diego County's unemployment ranks among the lowest of the southern California counties and significantly lower than the State's rate of 11.6% in June 2009. As of September 2009, the Standard and Poor's/Case-Shiller Home Price Index showed a slight rise in San Diego County home prices since May 2009. Based on the current economic statistics, local economists expect continued weakness through the first half of 2010.

Despite the current economic conditions, the County of San Diego has maintained fiscal stability within the discipline of the General Management System that establishes strong fiscal management practices. This fiscal discipline has allowed the County to maintain a \$55.5 million general fund reserve. This set aside will be applied to meet the needs of unforeseen operational uncertainties that may

arise during fiscal year 2009/2010. The County's fiscal responsibility was validated by the recent affirmation of its general obligation debt rating as "AAA" from three national rating agencies: Standard & Poor's, Moody's and Fitch Ratings.

Awards and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Investment Pool for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2008. This was the eleventh consecutive year that the Investment Pool has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Treasurer's Office must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of many individuals

in the Treasurer's Office. It is intended to provide complete and reliable information as a basis for making management decisions, determining compliance with legal provisions, and validating responsible stewardship of the funds in the Investment Pool.

Requests for Information

This financial report is designed to provide a general overview of the Investment Pool's activities during fiscal year 2008/2009. Questions concerning any of the information provided in this report or requests for additional financial information, including a complete list of the Investment Pool's current holdings, should be addressed to the Office of San Diego County Treasurer-Tax Collector, 1600 Pacific Highway, Room 152, San Diego, California, 92101. Copies of the comprehensive annual financial report will also be available on the Internet at www.sdtreastax.com.

Respectfully,

A handwritten signature in dark ink, appearing to read "Dan McAllister", is written over a light gray circular background.

Dan McAllister
Treasurer-Tax Collector

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego County
Investment Pool, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



President

Executive Director





TREASURY OVERSIGHT COMMITTEE MEMBERS



From left to right

Renee Wasmund
Helen Robbins-Meyer
Donald Steuer
Vernon Evans

Dan McAllister
Chris Zapata
Annette Hubbell
James Masias
Lora Duzyk

Not pictured

Barry Newman
Tracy Sandoval
Wilmer Cooks

TREASURY OVERSIGHT COMMITTEE MEMBERS

Dan McAllister

Treasurer-Tax Collector
County of San Diego

Helen Robbins-Meyer

Assistant Chief Administrative Officer
County of San Diego

James Masias

Chief Financial Officer
San Diego Unified School District

Chris Zapata

City Manager
National City

Lora Duzyk

Asst. Superintendent of Business Services
San Diego County Office of Education

Barry I. Newman, Esquire

Chairman of Oversight Committee
Public Member

Vernon Evans

Vice President Finance/Treasurer
San Diego County Regional Airport Authority

Annette Hubbell

General Manager
Rincon del Diablo Metropolitan Water District

Wilmer Cooks

Business Owner

Tracy Sandoval

Asst. Chief Financial Officer/
Auditor & Controller
County of San Diego

Janel Pehau

Office of Financial Planning Director
County of San Diego
(Alternate to Tracy Sandoval)

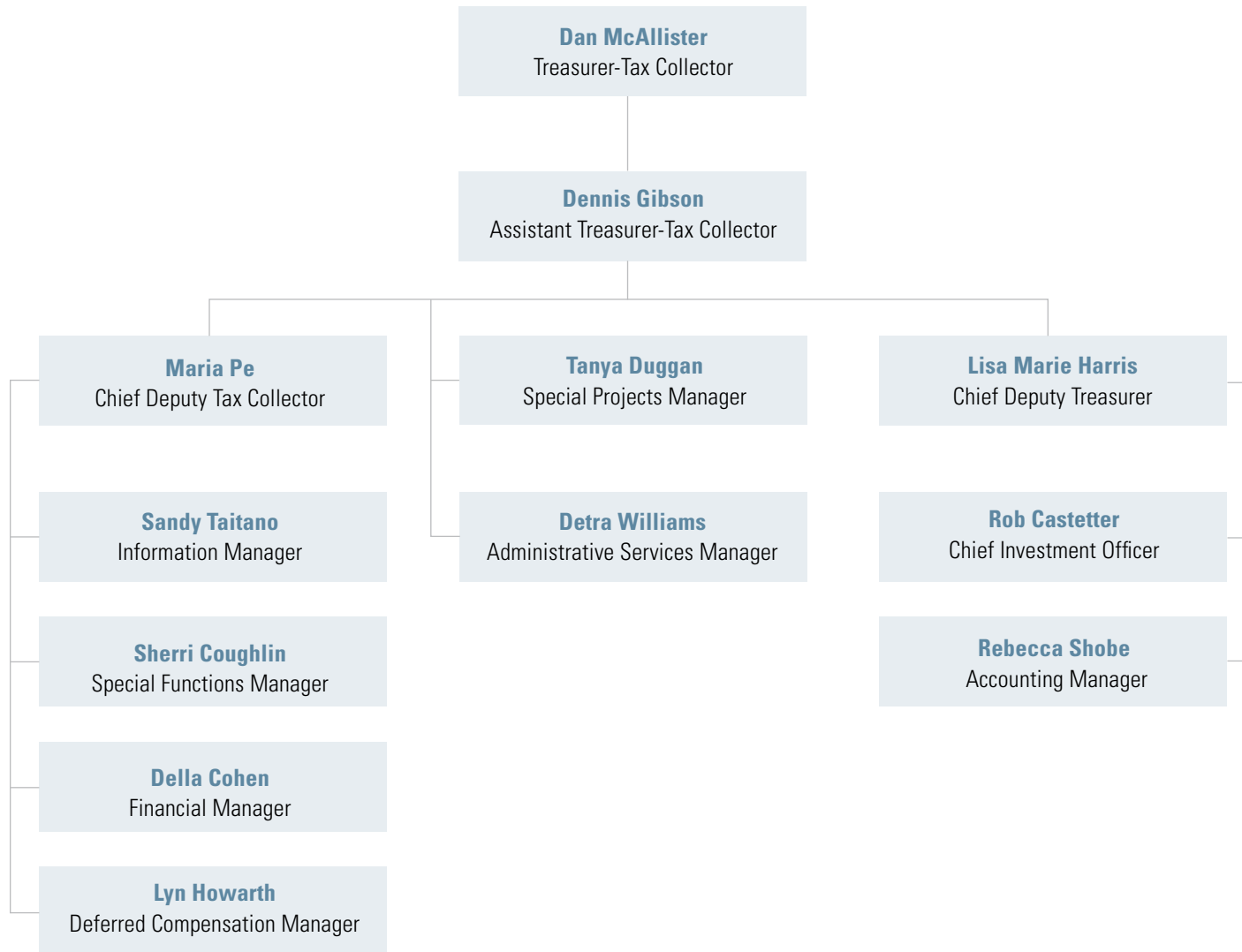
EX-OFFICIO**Donald Steuer**

Chief Financial Officer
County of San Diego

Renee Wasmund

Chief Financial Officer
San Diego Association of Governments

TREASURER – TAX COLLECTOR ORGANIZATIONAL CHART



INVESTMENT POOL STAFF MEMBERS

Lisa Marie Harris, CPFA
Chief Deputy Treasurer

Rob Castetter
Chief Investment Officer

Rebecca Shobe
Accounting Manager

Mark Van Den Herik, CFA
Investment Officer

Michelle Durgy
Investment Officer

Erik Mezack
Assistant Accounting Manager

Tony Wen
Senior Accountant

Bobby Bacasen, CPA
Associate Accountant

Su-Cheng Wang, CPA
Associate Accountant

Grace Cacho-Librado
Senior Accountant

Gregg Rosner
Staff Accountant

Rich Delgado, CPA
Senior Accountant

Samyukta Ladhwa
Staff Accountant

Tessie Verzosa
Supervising TTC Specialist

Rosella Perez
Supervising TTC Specialist

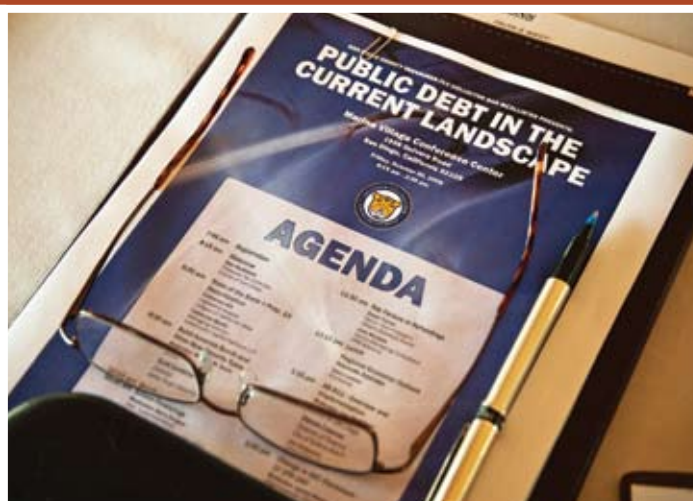
Carmen Perez
Senior TTC Specialist

FINANCIAL SECTION



The following analysis primarily focuses on the Investment Pool's current year results in comparison with the prior year. We hope that the information presented here, and in the Letter of Transmittal, provides you with a solid understanding of the Investment Pool's financial status as of and for the fiscal year ended June 30, 2009.







A Professional
Accountancy Corporation

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Christy White, CPA

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• California Association of
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• Community Associations
Institute

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Licensed by the California
Board of Accountancy

To the County of San Diego Audit Committee
and Treasury Oversight Committee
County of San Diego, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the San Diego County Investment Pool (the "Investment Pool") of the County of San Diego, California, as of and for the fiscal year ended June 30, 2009. These financial statements are the responsibility of the Investment Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Investment Pool's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, which included confirmation of investments held as of June 30, 2009 by correspondence with the custodian, banks and brokers, provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Investment Pool and do not purport to, and do not, present fairly the financial position of the County of San Diego, California, as of June 30, 2009, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Investment Pool, as of June 30, 2009, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2009 on our consideration of the Investment Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. We have issued a separate report dated November 10, 2009 on the Investment Pool's compliance with applicable sections of the California Government Code and the Investment Pool's January 1, 2009 Investment Policy. That report expresses an unqualified opinion on the Investment Pool's compliance with the specified requirements for the period from July 1, 2008 to June 30, 2009.

The management's discussion and analysis on pages 18 through 20, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Investment Pool. The introductory, investment and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory, investment and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Nigro Nigro & White, PC

San Diego, California
November 10, 2009

San Diego County Investment Pool
Management's Discussion and Analysis
June 30, 2009

As management of the San Diego County Investment Pool (the "Investment Pool"), we offer readers of the Investment Pool's financial statements this narrative overview and analysis of the financial activities of the Investment Pool for the fiscal year ended June 30, 2009.

The following analysis primarily focuses on the Investment Pool's current year results in comparison with the prior year. We hope that the information presented here, and in the Letter of Transmittal, provides you with a solid understanding of the Investment Pool's financial status as of June 30, 2009.

Financial Results

- The assets of the Investment Pool exceeded its liabilities at the close of the most recent fiscal year by \$5.7 billion (net assets).
- The Investment Pool's total net assets increased by \$598.3 million. This represents a net increase of 11.8% over the prior fiscal year.
- The net investment income of the Investment Pool, which includes the change in market value from the prior year, decreased by 53.5% from \$286.7 million for the year ended June 30, 2008 to \$133.4 million for the fiscal year ended June 30, 2009.

- During the year, the Investment Pool distributed earnings of \$113.6 million to participants compared to the previous year's distribution of \$197.3 million. This represents a decrease of \$83.7 million (42.4%) over the last fiscal year.
- The Investment Pool has maintained a competitive expense ratio at 0.147% of the average daily balance for the fiscal year 2008/2009 and 0.133% for the fiscal year 2007/2008.
- The fair value of the Investment Pool showed an undistributed and net unrealized gain of \$31.5 million (0.6% of portfolio fair value) at June 30, 2009 compared to an undistributed and net unrealized gain of \$17.4 million (0.3% of portfolio fair value) at June 30, 2008.

Overview of the Investment Pool Financial Statements

This discussion and analysis are intended to serve as an introduction to the basic financial statements. The Investment Pool's basic financial statements consist of two components:

- 1) Statement of Net Assets and Statement of Changes in Net Assets
- 2) Notes to Financial Statements.

This report also contains other supplementary information in addition to the financial statements.

The Statement of Net Assets presents information on the Investment Pool's assets and liabilities, with the difference between the two reported as *net assets*.

San Diego County Investment Pool
Statement of Net Assets

(amounts expressed in thousands, except percentages)

	As of June 30,			Variance 2009 vs. 2008	
	2009	2008	2007	Amount	Percentage
ASSETS					
Investments at Fair Value	\$5,354,009	\$5,028,274	\$4,550,152	\$325,735	6.5%
Cash and Receivables	339,860	90,609	81,004	249,251	275.1%
Total Assets	5,693,869	5,118,883	4,631,156	574,986	11.2%
LIABILITIES					
Distributions Payable and Accrued Expenses	23,130	46,418	64,545	(23,288)	-50.2%
Total Liabilities	23,130	46,418	64,545	(23,288)	-50.2%
Net Assets End of Year	\$5,670,739	\$5,072,465	\$4,566,611	\$598,274	11.8%

Net Assets

The Investment Pool net assets increased by \$598.3 million (11.8%) for the fiscal year ended June 30, 2009. Most of this increase can be attributed to the K-12 schools, whose Investment Pool balance rose by \$529.4 million. The additional balance is due to the investment of a number of bond proceeds in the Investment Pool as the market for guaranteed investment contracts has declined. The largest of the bond issues for the current fiscal year are the following: San Diego Unified School District (\$131.2 million), Grossmont Union High School District (\$88.2 million), Carlsbad Unified School District (\$81.5 million), and Poway Unified School District (\$74.0 million).

Changes in Net Assets

The Statement of Changes in Net Assets presents information on how the Investment Pool's net assets changed during the most recent fiscal year. The additions include additions to investments, interest income and changes in fair value of investments. Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The deductions consist of deductions from investments, distributions to Investment Pool's participants and administrative expenses.

All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, additions and deductions are reported in this statement for some items that will result in cash flows in future fiscal periods.

San Diego County Investment Pool
Statement of Changes in Net Assets
(amounts expressed in thousands, except percentages)

	Fiscal Year Ended June 30,			Variance 2009 vs. 2008	
	2009	2008	2007	Amount	Percentage
ADDITIONS					
Additions to Pooled Investments	\$11,267,908	\$11,314,635	\$11,909,699	(\$46,727)	-0.4%
Net Investment Income	133,416	286,655	184,286	(153,239)	-53.5%
Total Additions	11,401,324	11,601,290	12,093,985	(199,966)	-1.7%
DEDUCTIONS					
Deductions from Pooled Investments	10,683,889	10,893,809	11,325,006	(209,920)	-1.9%
Distributions to Participants	113,592	197,272	202,150	(83,680)	-42.4%
Administrative Expenses	5,569	4,355	4,396	1,214	27.9%
Total Deductions	10,803,050	11,095,436	11,531,552	(292,386)	-2.6%
Changes in Net Assets	598,274	505,854	562,433	92,420	18.3%
Net Assets Beginning of Year	5,072,465	4,566,611	4,004,178	505,854	11.1%
Net Assets End of Year	\$5,670,739	\$5,072,465	\$4,566,611	\$598,274	11.8%

Additions to pooled investments decreased by \$46.7 million, or 0.4%, from the previous fiscal year. Deductions from pooled investments decreased by \$210.0 million, or 1.9%, from the previous fiscal year. The slight decreases in participant additions and deductions are indicative of a similar economic environment in the current fiscal year as compared to last fiscal year. An increase in activities would be expected when local economic conditions improve.

Investment income decreased by \$153.2 million or 53.5%, which is reflective of current market conditions. A thorough discussion of interest rates and the overall economy is contained in the Investment Section of this report.

The Investment Pool is managed for the sole benefit of the participants. All income is distributed quarterly after deducting investment and administrative costs. The Investment Pool, in practice, holds all investments to maturity, based on a detailed cash flow analysis. Therefore, any undistributed gains or losses as a result of market value fluctuations are not reflected in the distributions to participants. These distributions to participants reflect only the actual interest income earned during the fiscal year. Distributions to participants decreased by \$83.7 million, or 42.4%, due to a decline in interest rates on Investment Pool securities. This decrease is reflective of the interest rate environment and the Investment Pool's transition to investments of lower risk to ensure the safety of principal during the current economic downturn.

San Diego County Investment Pool
Statement of Net Assets

As of June 30, 2009

(amounts expressed in thousands)

ASSETS	
Investments at Fair Value:	
U.S. Government Agencies:	
Federal Home Loan Mortgage Corporation Notes	\$ 992,050
Federal Home Loan Bank Notes	1,139,205
Federal National Mortgage Association Notes	948,069
Federal Farm Credit Bank Notes	364,199
U.S. Treasury Notes	377,797
U.S. Treasury Bills	99,920
Commercial Paper	474,925
Corporate Medium-Term Notes	78,853
Repurchase Agreements Collateralized By:	
Money Market Securities	250,000
Government Securities	8,370
Money Market Mutual Funds	225,110
Certificates of Deposit	360,581
Bond Funds	34,930
Total Investments at Fair Value	5,354,009
Other Assets:	
Cash on Hand and in Banks	308,984
Receivables and Other	30,876
Total Assets	5,693,869
LIABILITIES	
Distributions Payable	20,827
Accrued Expenses	2,303
Total Liabilities	23,130
NET ASSETS	\$ 5,670,739
Net assets consists of:	
Participant units outstanding (\$1.00 par)	\$ 5,639,259
Undistributed and unrealized gains / (losses)	31,480
Net assets	\$ 5,670,739
Participant net asset value at fair value price per share (\$5,670,739 divided by 5,639,259 units)	\$ 1.006

The notes to financial statements are an integral part of this statement.

San Diego County Investment Pool
Statement of Changes in Net Assets

Fiscal Year Ended June 30, 2009
(amounts expressed in thousands)

ADDITIONS	
Additions To Pooled Investments	\$ 11,267,908
Investment Income:	
Net Increase in Fair Value of Investments	14,255
Investment Earnings	121,241
Less Expenses	(2,080)
Net Investment Income	133,416
Total Additions	11,401,324
DEDUCTIONS	
Deductions From Pooled Investments	10,683,889
Distributions To Participants	113,592
Administrative Expenses	5,569
Total Deductions	10,803,050
Change in Net Assets	598,274
Net Assets, Beginning of Year	5,072,465
Net Assets, End of Year	\$ 5,670,739

The notes to financial statements are an integral part of this statement.

San Diego County Investment Pool
Notes to Financial Statements
June 30, 2009

1. Summary of Significant Accounting Policies

The Financial Reporting Entity. The San Diego County Investment Pool (the "Investment Pool") is a part of the County of San Diego (the "County") with amounts held on behalf of external participants reported in an investment trust fund of the County. The Investment Pool is responsible for approximately \$5.7 billion in assets as of June 30, 2009. The Investment Pool is administered by the Treasurer-Tax Collector, an elected office that is responsible for tax collection, banking, investment, disbursement and accountability of public funds. The Investment Pool is managed by the County Treasurer's Office on behalf of the Investment Pool participants.

The Investment Pool participants include the County, local school districts, local community colleges and other districts and agencies. The local school districts are required by State statutes to deposit their funds with the County Treasurer. "Mandatory" participants in the Investment Pool comprise the majority of the Investment Pool's assets, at 97.1%. All participants comply with the same requirements per the Investment Policy. The State of California gives the Board of Supervisors the ability to delegate the investment authority to the County Treasurer's Office in accordance with Section 53607 of the California Government Code. The Investment Pool's investment objectives are to safeguard principal, meet the liquidity needs of the participants, and return an acceptable yield within the parameters of prudent risk management.

Pursuant to Sections 27130-27137 of the California Government Code, the County Board of Supervisors has established the Treasurer's Oversight Committee ("TOC") that monitors and reviews the Investment Policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public, having expertise in, or an academic background in public

finance. This Committee requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations. The Investment Pool is not registered with the Securities and Exchange Commission ("SEC") as an investment company. The Investment Pool does not have any legally binding guarantees of share values.

Measurement Focus, Basis of Accounting and Financial Statement Presentation. The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Earnings on investments are recognized as revenue in the period in which they are earned and administrative costs are recognized as expense when incurred, regardless of the timing of the related cash flows. Investment Pool participants' cash balances and withdrawals are based on cost while investments are reported at fair value.

2. Assets, Liabilities and Net Assets

Deposits. Cash in banks is defined as short-term, highly liquid deposits with an original maturity of three months or less. At year-end, the carrying amount of the Investment Pool's deposits was \$308,984,329, and the bank balance at June 30, 2009 was \$305,323,608, which consisted of demand deposits with various financial institutions. The difference between the carrying amount and the bank balance includes temporary reconciling items such as cash on hand, outstanding checks, and deposits in transit. Of the bank balance, \$275,350,000 was covered by federal deposit insurance and \$29,973,608 was collateralized with securities held by a named agent depository on behalf of the Investment Pool as required by California Government Code Section 53656. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

**TABLE 1: San Diego County Investment Pool
Policy Restrictions versus California Government Code Section 53601 Requirements**

Investment Type	Maximum Maturity		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy
U.S. Treasury Obligations	5 years	5 years	None	None	None	None	None	None
Agency Obligations	5 years	5 years	None	None	None	25%	None	None
Local Agency Obligations	5 years	5 years	None	15%	None	10%	None	A
Bankers' Acceptances	180 days	180 days	40%	40%	30%	5%	None	A-1
Commercial Paper (1)	270 days	270 days	40%	40%	10%	5%	A	A
Certificates of Deposit	5 years	5 years	30%	30%	30%	5%	None	A
Repurchase Agreements	1 year	1 year	None	40%	None	(2)	None	None
Reverse Repurchase Agreements	92 days	92 days	20%	20%	None	10%	None	None
Local Agency Investment Fund of California	N/A	N/A	None	10%	None	10%	None	None
Corporate Medium-Term Notes	5 years	5 years	30%	30%	30%	5%	A	A
Money Market Mutual Funds	N/A	N/A	20%	15%	10%	10%	AAAf	AAAf
Bond Funds	N/A	N/A	None	2.5%	None	2.5%	None	None
Pass-Through Securities (3)	5 years	5 years	20%	20%	None	5%	A/AA	A/AA

(1) Government Code Section 53635(a)(1-2) specifies percentage limitations for this security type for county investment pools.

(2) Maximum exposure per issue - The maximum exposure to a single Repurchase Agreement (RP) issue shall be 10% of the portfolio value for RP's with maturities greater than 5 days, and 15% of the portfolio for RP's maturing in 5 days or less.

(3) Rating of "A" required for issuer, if rated; and rating of "AA" required for issue.

Custodial Credit Risk. Custodial credit risk for deposits exists when, in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of its deposits or collateral securities that are in the possession of another party. For sweep (deposit) accounts, the Investment Pool utilizes national or state chartered banks where amounts exceeding the FDIC insurance level are invested in repurchase agreements that are collateralized by U.S. Treasury and Federal Agency securities equal to or greater than the deposit amount in accordance with California Government Code.

Pool Investments. The Investment Pool operates under the prudent person standard. Specifically, California Government Code Sections 27000.1-27000.5, 27130-27137, and 53600-53686 authorize the Treasurer to invest funds in permissible types of investment or financial instruments. These include: U.S. Treasuries, Federal agencies, local agency obligations, banker's acceptances, commercial paper, medium-term notes/bonds, negotiable certificates of deposit, repurchase and reverse repurchase agreements, pass-through securities, money market mutual funds, and local agency investment funds.

Investments in the Investment Pool are stated at fair value. Securities, which are traded on a national exchange, are valued at the last reported sales price at current exchange rates. The fair value of investments is determined monthly and is provided by the custodian bank. Repurchase agreements and institutional money market funds are carried at portfolio book value (carrying cost). Open-end institutional money market funds are not categorized as to custodial credit risk because the investment in these funds is not evidenced by specific securities. All purchases of investments are accounted for on a trade-date basis.

Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that were held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

**TABLE 2: San Diego County Investment Pool
Investment Statistics**

As of June 30, 2009

(amounts expressed in thousands, except percentages and days)

	S&P Rating	Rate Range %	Maturity Date Range	Par Value (000)	Amortized Cost (000)	Fair Value (000)	Yield To Maturity	WAM (In Days)
U.S. Government Agencies:								
Federal Home Loan Mortgage Corporation Notes	AAA	0.22 - 6.63	07/09 - 06/13	\$984,266	\$986,908	\$992,050	1.98%	444
Federal Home Loan Bank Notes	AAA	0.12 - 7.38	07/09 - 02/14	1,127,070	1,131,513	1,139,205	1.45%	239
Federal National Mortgage Association Notes	AAA	0.31 - 7.25	07/09 - 05/13	942,160	943,932	948,069	2.16%	431
Federal Farm Credit Bank Notes	AAA	1.70 - 5.05	10/09 - 12/12	360,925	360,760	364,199	2.75%	884
U.S. Treasury Notes	AAA	0.88 - 4.88	08/09 - 03/14	365,005	366,967	377,797	2.81%	803
U.S. Treasury Bills	AAA	0.21 - 0.25	10/09 - 11/09	100,000	99,916	99,920	0.23%	128
Commercial Paper	A-1/A-1+	0.07 - 0.41	07/09 - 08/09	475,000	474,950	474,925	0.21%	16
Corporate Medium-Term Notes	AA/AA+	3.75 - 5.88	12/09 - 03/12	77,500	78,497	78,853	4.05%	539
Repurchase Agreements Collateralized By:								
Money Market Securities	N/A	0.29	07/09	250,000	250,000	250,000	0.29%	1
Government Securities	N/A	0.10	07/09	8,370	8,370	8,370	0.10%	1
Money Market Mutual Funds	AAA	0.05 - 0.19	07/09	225,110	225,110	225,110	1.18%	1
Certificates of Deposit	N/A	0.20 - 4.15	07/09 - 12/09	360,605	360,605	360,581	0.50%	44
Bond Funds	AA	0.90	07/09	35,000	35,000	34,930	0.90%	1
Total Investments				5,311,011	5,322,528	5,354,009		
Public Fund Demand Deposit*	N/A	0.47	07/09	275,000	275,000	275,000	0.47%	1
Total Investments and Demand Deposits				\$5,586,011	\$5,597,528	\$5,629,009	1.53%	323

*Public Fund Demand Deposit included as a component of Cash in Banks on the Statement of Net Assets.

The Investment Pool is authorized to have leverage exposure through the use of reverse repurchase agreements (RRP) and securities lending. The maximum exposure to these investments is 20% of the total portfolio. There were no RRP or securities lending transactions during the fiscal year ended June 30, 2009.

Table 2 below presents the maturity levels and credit ratings by investment type as of June 30, 2009. The maturity levels are reported using the weighted average days to maturity (WAM) method.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. To mitigate this risk, the Investment Policy limits the amount of exposure to any one single issuer to the percentages listed in Table 1. As noted in Table 1, the Investment Policy is more restrictive, in most cases, than the California Government Code. As of June 30, 2009, all investments are in compliance with State law and with the Investment Policy.

In accordance with GASB 40, disclosure is required for instruments in any one issuer that represent 5% or more of the Investment Pool holdings and are not explicitly guaranteed by the United States Government. As of June 30, 2009, there were no instruments in a single issuer requiring such disclosure.

Credit Risk. Credit risk exists when there is the possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. To mitigate this risk, the Investment Pool's Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Investment Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises must have a credit rating of no less than "A" for long-term or "A1" for short-term. Non-rated securities include sweep accounts, collateralized certificates of deposit and repurchase

agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are collateralized by securities, authorized by California Government Code Section 53601, having a fair market value of at least 102% of the amount of the repurchase agreement.

Custodial Credit Risk. Custodial credit risk for investments exists when, in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Securities purchased by the Investment Pool are held by a third-party custodian, The Bank of New York Mellon Corporation, in their trust department to mitigate custodial credit risk.

Foreign Currency Risk. The Investment Pool does not have any foreign currency risk as all investments in the Investment Pool are in U.S. dollar-denominated assets.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments of longer maturities are more sensitive to changes in market interest rates.

To mitigate the effect of interest rate risk, the Investment Pool maintains a laddered portfolio in compliance with the Investment Policy, which requires at least 25% of securities to mature within 90 days, at least 50% of securities to mature within one year, and no more than 50% of securities to mature within one to five years. In addition, the Investment Pool limits the maximum effective duration of the portfolio to 18 months. As of June 30, 2009, the Investment Pool was in full compliance with its own more restrictive Investment Policy, and therefore was also in compliance with California Government Code. Actual weighted average days to maturity by investment type is presented in Table 2.

California State Code Section 53601 indicates where the Code does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

3. Receivables and Payables

Receivables primarily consist of interest accrued on investments. Distributions payable represent the interest for the last quarter of the fiscal year that will be credited to Investment Pool participants for reinvestment. Accrued expenses represent the administrative fees for the last quarter of the fiscal year ended June 30, 2009.

4. Interest Apportionment

Earnings realized on investments based on amortized cost are distributed to Investment Pool participants and are calculated using the accrual basis of accounting. Section 27013 of the California Government Code authorizes the Treasurer's Office and Auditor & Controller's Office to deduct administrative fees related to investments. The net realized earnings on investments are apportioned to the Investment Pool participants quarterly, based on the participants' average daily balances. During the year ended June 30, 2009, the Investment Pool distributed \$113.6 million of investment earnings, compared to the previous year's distribution of \$197.3 million. These investment earnings are classified as distributions to participants on the Statement of Changes in Net Assets and are reinvested in the Investment Pool.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

6. Investment Pool Composition

As of June 30, 2009, the Investment Pool participants by percentage of net assets consist of:

Table 3: San Diego County Investment Pool Participant Allocation

As of June 30, 2009

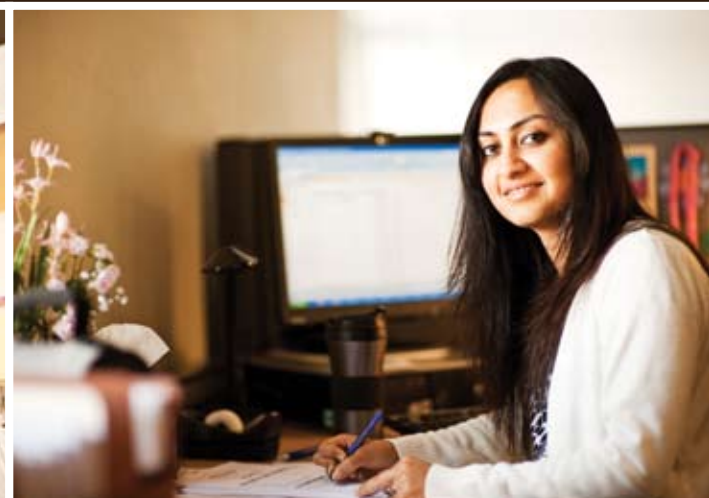
Schools	48.07%
County Funds	33.93%
Community Colleges	9.60%
Non County Funds	4.97%
Voluntary Depositors	2.87%
Unrealized Gain/Loss	0.56%
Total	100.00%

7. Related Party

The County portion of the Investment Pool net assets as of June 30, 2009 is \$1.9 billion. Certain costs allocated by the County to the Investment Pool include salaries and benefits, services and supplies, overhead and equipment totaling \$5.6 million in the current fiscal year.



INVESTMENT SECTION



This section provides investment highlights and statistics for the fiscal year ended June 30, 2009 and an outline of the Investment Policy.

Administrative Overview

The San Diego County Investment Pool (the "Investment Pool") was created when the State Legislature established the five-member County Board of Supervisors in 1853. During fiscal year 2008/2009, the Investment Pool activities included the following:

- The Investment Pool maturity structure has remained in compliance with the Investment Policy, which requires 25% of securities to mature in 90 days, 25% to mature from 91-365 days, and no more than 50% to mature in one to five years; as of June 30, 2009 the Investment Pool has 73.0% of investments maturing in less than one year.
- The Investment Pool had a decrease in weighted average days to maturity from 427 days at June 30, 2008 to 323 days at June 30, 2009.
- The Investment Pool's total net assets increased by 11.8% from \$5.1 billion on June 30, 2008 to \$5.7 billion on June 30, 2009.
- Undistributed and unrealized gains were \$17.4 million at June 30, 2008 compared to \$31.5 million at June 30, 2009.
- The weighted average effective yield (annualized) of the Investment Pool from 3.33% for the year ended June 30, 2008 to 1.53% for the year ended June 30, 2009.
- The Investment Pool has maintained a competitive expense ratio at 0.147% of the average daily balance for the fiscal year 2008/2009 and 0.133% for 2007/2008.
- The Investment Pool maintained an 'AAAf/S1' rating by Standard & Poor's, a nationally recognized rating agency.

Outline of the Investment Policy

The Investment Pool is managed in accordance with prudent money management principles and California Government Code Sections 27000.1 – 27000.5, 27130 – 27137, and 53600 – 53686.

The objectives of the Investment Pool in order of importance are:

1. Safeguard the principal of the funds under the control of the Treasurer's Office.
2. Meet the liquidity needs of participants.
3. Achieve an investment return on the funds under control of the Treasurer within the parameters of prudent risk management.

On an annual basis, the Treasurer's Oversight Committee (TOC) reviews and approves the Investment Policy. Once the TOC has recommended approval, the Board of Supervisors reviews and adopts the Investment Policy in a public forum. The Investment Policy focuses on risk management by setting limits on principal exposure by type of security, by issuer of debt, by minimum credit ratings, and by liquidity. The Investment Policy includes a detailed section on terms and conditions for voluntary participants' deposits and withdrawal of funds from the Investment Pool. All investment transactions are handled by the internal Investment Officers.

Investment Results

Over the past three fiscal years, the Federal Funds rate dropped over 500 basis points. The rate dropped from 5.25% on June 29, 2006 to 0% on June 24, 2009. Bond yields are positively correlated with changes in the Federal Funds rate. When a material decline in the Federal Funds rate occurs over a short period of time, it is anticipated that fixed income portfolios will realize significantly lower yields. Table 4, presented below, reflects the effective yield of the Investment Pool over the past three fiscal years.

Table 4: San Diego County Investment Pool Effective Yield

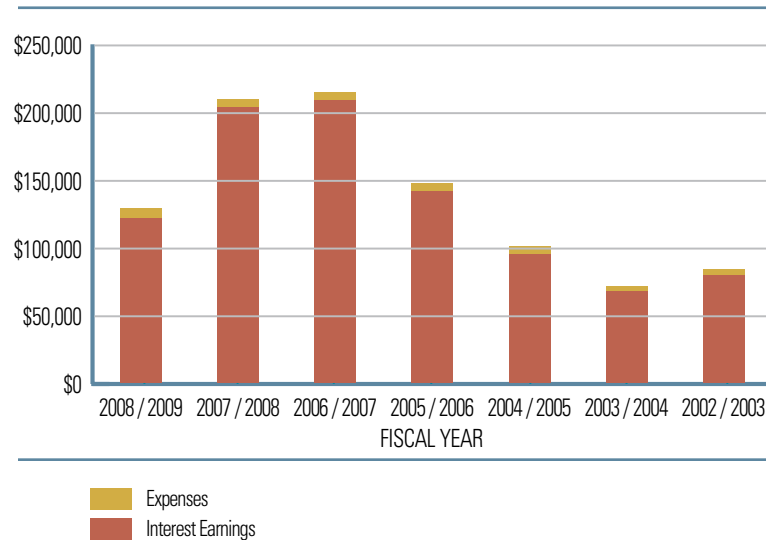
Fiscal Year	Effective Yield	Change From Previous Year
2008 / 2009	2.26%	(1.79%)
2007 / 2008	4.05%	(0.53%)
2006 / 2007	4.58%	1.04%

Although the Federal Funds rate declined more significantly, the Investment Pool's overall effective yield declined only 2.32%. During the fiscal year ended June 30, 2009, the Investment Pool received significant inflows of capital from tax revenues and school bond issues, which were invested at rates that were lower than the

Investment Pool's overall effective yield. Despite these factors, the Investment Pool maximized investment returns while adhering to the principles of the Investment Policy.

Pursuant to the Investment Policy, the Investment Pool is charged with safeguarding principal, meeting liquidity needs, and earning an investment return. Despite the unprecedented market volatility and credit crisis, the Investment Pool maintained an acceptable yield without any loss of principal. The Investment Pool attributes these results to the effective implementation of an adaptable investment strategy, ongoing monitoring of market events, and thorough analysis of credit rating changes, while effectively managing the associated administrative expenses.

Chart 1: San Diego County Investment Pool Earnings and Expenses
(amounts expressed in thousands)



Income Allocation

The interest earned by each Investment Pool participant is proportionate to the average daily balance of the local agency. Prior to distribution of interest earnings, administrative and investment expenses incurred by the Treasurer's Office are deducted from the realized earnings of the Investment Pool. The Investment Pool's expense ratio for fiscal year 2008/2009 was 0.147% of the average daily balance. The apportionment rate is set approximately two weeks after each calendar quarter-end. Apportionments are not paid out by warrants; all earnings are reinvested in the Investment Pool for the benefit of the participants.

Economic Environment

Federal Reserve Actions in 2008/2009

In response to weakening financial markets, the Federal Reserve reduced the Federal Funds rate by 175 basis points during fiscal year 2008/2009. The Federal Funds rate has remained in a range between 0% and 0.25% since the January 28, 2009 meeting. The rate had previously dropped 325 basis points in the prior fiscal year. This decline in the target rate has significantly reduced the yield on short-term securities available for purchase.

Fiscal Year 2008/2009 Market Conditions

The 2008/2009 fiscal year saw the financial markets continuing to reel from unprecedented volatility created by a freeze in the credit markets from the prior fiscal year.

The Dow Jones Industrial Average had a substantial decline from a record high of 14,047 on October 9, 2007 to 8,451 on October 10, 2008. Companies responded by scaling back production, laying off workers in droves and postponing capital investments. The national unemployment rate hit 9.5% over the fiscal year, a rate not seen since the 1980's. Consumers saw gas prices rise to an all-time peak of \$4.06 per gallon on July 7, 2008. At the same time credit card companies began instituting stricter guidelines for issuing new credit, lowering existing credit limits and raising interest rates. Despite the record number of foreclosures and \$34.2 billion of direct government support to the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation during the fiscal year ended June 30, 2009, home mortgages became difficult to obtain. Nevertheless, the housing market began to stabilize as lenders held onto foreclosed properties in order to preserve an artificial supply level. In October 2008, the U.S. Government passed the Troubled Asset Relief Program (TARP), which was used to loan taxpayer dollars to banks and investment firms in order to stabilize their balance sheets and promote lending.

Early 2009 saw the inauguration of the first African-American president of the United States, Barack Obama. With the new president came a new Treasury staff and shift in financial policy. New Treasury Secretary Timothy Geithner introduced the Public Private Investment Program which acquired real estate loans from banks and other market participants. \$500 billion was used to fund the program, which focused on purchasing the most "toxic" loans in order to remove them from the bank's balance sheets and thereby alleviate their capital problems. Geithner also announced

that the financial health of 19 of the nation's largest banks would be assessed through a stress test or capital assessment. While all 19 banks passed the test, the fiscal year saw a record number (66 in total) of local banks taken over by the FDIC. Executive compensation in TARP-assisted companies was reviewed by the Treasury Department and garnered media attention. The Treasury Secretary also extended additional TARP monies to bail out domestic automakers. To strengthen the markets, the Treasury Secretary instituted a series of insurance programs which were designed to safeguard deposits in money market funds and increase the FDIC coverage for cash accounts and certificates of deposit.

In light of the volatility and sweeping changes in economic, credit and financial environments, the Investment Pool took significant measures to decrease exposure to corporate credits by setting maturity limits and investing in government-only money market funds. The Investment Pool continues to rigorously monitor the financial health of its investments as well as macroeconomic events.

Local Economy

The University of San Diego's Index of Leading Economic Indicators turned positive in April 2009 after 24 consecutive monthly declines. The index's components include building permits, initial jobless claims, stock prices, consumer confidence, help wanted advertising and the national economy. The components leading to the index's rise were consumer confidence, building permits, local stock prices and a positive

outlook for the nation's economy. After over a year of negative consumer sentiment, in April 2009, the County's Consumer Confidence Index has increased steadily, indicating that the San Diego consumer is returning to the marketplace.

Outlook for Fiscal Year 2009/2010

The 2009/2010 fiscal year has already seen higher unemployment rates than witnessed in the past 26 years. Unemployment, a lagging economic indicator, is expected to get worse before there is a recovery. Encouraging more stabilization in the housing markets and hoping to bring confidence to a shaky economy, President Obama extended the homebuyer tax credit to April 2010, allowed for 20 additional weeks of unemployment assistance, and provided \$33 billion in tax refunds for companies that are losing money. With the additional \$45 billion cost of these measures, the United States' fiscal year 2009 deficit hit a record \$1.4 trillion and is expected to remain at that level through 2010. Deflation and concerns about a weaker dollar present challenges for economic recovery.

Risk Profile

The three main risk factors the Investment Pool manages are credit, liquidity and interest rate exposure.

The credit limits of the investments held by the Investment Pool meet the requirements of the Investment Policy and California Government Code.

Table 5: San Diego County Investment Pool Participants

As of June 30, 2009

Participant	% Ownership	Participant	% Ownership
County	33.93%	San Marcos Unified	
Non-County Investment Funds	4.97%	San Pasqual Union	
Schools (K thru 12)		San Ysidro	
Alpine Union		Santee	
Autistic Pupils Minor High		Solana Beach	
Autistic Pupils Minor Elementary		South Bay Union	
Bonsall Union		Spencer Valley	
Borrego Springs Unified		Sweetwater Union High	
Cajon Valley Union		Vallecitos	
Cardiff		Valley Center Union	
Carlsbad Unified		Vista Unified	
Chula Vista Elementary		Warner Unified	
Coronado Unified		Education - Cemetery Districts	
Dehesa		Department of Education	
Del Mar Union		Education - Debt Service	
Encinitas Union		Education - Building Funds	
Escondido Union		Total for Schools	48.07%
Escondido Union High		Community Colleges	
Fallbrook Union Elementary		San Diego	
Fallbrook Union High		Grossmont	
Grossmont Union High		MiraCosta	
Jamul-Dulzura Union		Palomar	
Julian Union		Southwestern	
Julian Union High		Total for Community Colleges	9.60%
La Mesa-Spring Valley		Retirement	0.01%
Lakeside Union		Cities	
Lemon Grove		Encinitas	
Mountain Empire Unified		Lemon Grove	
National		Total for Cities	0.00%
Oceanside Unified		Independent Agencies	
Poway Unified		Alpine Fire Protection	
Ramona Unified		Bonita Sunnyside Fire Protection	
Rancho Santa Fe			
San Diego Unified			
San Dieguito Union High			

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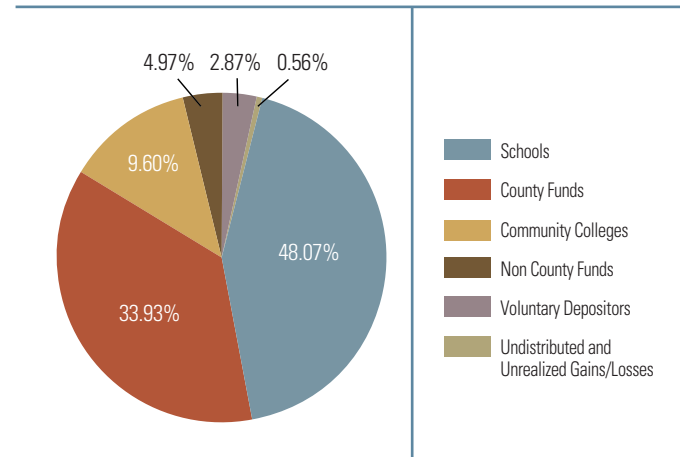
San Diego County Investment Pool Participants

As of June 30, 2009 (Continued from previous page)

Participant	% Ownership	Participant	% Ownership
Borrego Springs Fire Protection		SDC Regional Airport Authority	
Deer Springs Fire Protection		Spring Valley/Casa de Oro	
East County Fire Protection		Upper San Luis Rey Resource Conservation	
Fallbrook Public Utility		Vallecitos Water District	
Fire Agency Self Insurance System (PASIS)		Valley Center Fire Protection	
Julian-Cuyamaca Fire Protection		Valley Center Cemetery	
Lake Cuyamaca Recreation & Park		Valley Center Cemetery Perpetual	
Lakeside Fire		Valley Center Water District	
Leucadia Water District		Vista Fire Protection	
Lower Sweetwater Fire Protection		Total for Independent Agencies	2.86%
Majestic Pines Community Services District			
Metropolitan Transit District Board		Undistributed and Unrealized Gains/Losses	0.56%
Metropolitan Transit Service			
Mission Resource Conservation		TOTAL	100.00%
North County Cemetery District			
North County Cemetery Perpetual			
North County Cemetery			
North County Dispatch			
North County Fire Protection			
Otay Water District			
Palomar Resource Conservation			
Pine Valley Fire Protection			
Pomerado Cemetery Perpetual			
Pomerado Cemetery District			
Ramona Cemetery District			
Ramona Cemetery Perpetual			
Rancho Santa Fe Fire Protection			
SANCAL			
SANDAG			
San Diego Rural Fire Protection			
San Dieguito River			
San Marcos Fire Protection			
San Miguel Fire Protection			
San Ysidro Sanitation			
Santa Fe Irrigation District			
South County Operations Center			

Chart 2: San Diego County Investment Pool Participants

As of June 30, 2009



Leverage Exposure

The Investment Pool is allowed to have leverage exposure up to 20% of the portfolio book value through the use of reverse repurchase agreements (RRP) and securities lending. There were no RRP or securities lending transactions during fiscal year 2008/2009.

Table 6, presented below, provides a detailed listing of the Investment Pool diversification, yields by type of securities, and weighted average maturities as of June 30, 2009.

A complete list of current and historical Investment Pool holdings is available on the Internet at www.sdtreastax.com. The apportionment rate during fiscal year 2008/2009 was 2.36%. The 3-year average return was 3.99% and 5-year average return was 3.54%.

TABLE 6: San Diego County Investment Pool Statistics

As of June 30, 2009

(amounts expressed in thousands, except percentages and days)

	Percent of Portfolio	Book Value at Amortized Cost	Market Price **	Accrued Interest	Market Value	Unrealized Gain/(Loss)	Yield To Maturity	Weighted Average Days to Maturity
U.S. Government Agencies:								
Federal Home Loan Mortgage Corporation Notes	17.62%	\$986,908	100.79%	\$5,279	\$992,050	\$5,142	1.98%	444
Federal Home Loan Bank Notes	20.23%	1,131,513	101.08%	7,467	1,139,205	7,692	1.45%	239
Federal National Mortgage Association Notes	16.84%	943,932	100.63%	6,369	948,069	4,137	2.16%	431
Federal Farm Credit Bank Notes	6.47%	360,760	100.91%	1,566	364,199	3,439	2.75%	884
U.S. Treasury Notes	6.71%	366,967	103.50%	3,025	377,797	10,830	2.81%	803
U.S. Treasury Bills	1.78%	99,916	99.92%	4	99,920	4	0.23%	128
Commercial Paper	8.44%	474,950	99.98%	0	474,925	(25)	0.21%	16
Corporate Medium-Term Notes	1.40%	78,497	101.75%	684	78,853	356	4.05%	539
Repurchase Agreements Collateralized By:								
Money Market Securities	4.44%	250,000	100.00%	2	250,000	0	0.29%	1
Government Securities	0.15%	8,370	100.00%	0	8,370	0	0.10%	1
Money Market Mutual Funds	4.00%	225,110	100.00%	41	225,110	0	1.18%	1
Certificates of Deposit	6.41%	360,605	99.99%	27	360,581	(25)	0.50%	44
Bond Funds	0.62%	35,000	99.80%	34	34,930	(70)	0.90%	1
Total Investments	95.11%	5,322,528	100.81%	24,498	5,354,009	31,480		
Public Fund Demand Deposit*	4.89%	275,000	100.00%	0	275,000	0	0.47%	1
Total Investments and Demand Deposits	100.00%	\$5,597,528	100.77%	\$24,498	\$5,629,009	\$31,480	1.53%	323

*Public Fund Demand Deposit included as a component of Cash in Banks on Statement of Net Assets

**Based on a comparison of market value to par value.

**TABLE 7: San Diego County Investment Pool
Schedule of Top Ten Fixed-Income Securities**

As of June 30, 2009

(amounts expressed in whole numbers)

Security Name	CUSIP No.	Par Value	Fair Value
Morgan Stanley Institutional Liquidity Fund	61747C707	\$211,250,000	\$211,250,000
Branch Banking & Trust Co. - Demand Deposit	PP5SOKQ75	200,000,000	200,000,000
Commercial Paper BNP Paribas Finance	0556NOU11	175,000,000	175,000,000
Deutsche Bank Repurchase Agreement	Various	150,000,000	150,000,000
Federal Home Loan Bank	3133XMSQ5	100,000,000	101,530,000
Federal National Mortgage Association	31398ASX1	100,000,000	100,310,000
Morgan Stanley Repurchase Agreement	Various	100,000,000	100,000,000
Federal National Mortgage Association Discount Notes	313589HQ9	100,000,000	100,000,000
Federal Farm Credit Bank	31331GTK5	75,000,000	75,232,500
Federal Home Loan Bank	3133XTL53	75,000,000	75,067,500

**TABLE 8: San Diego County Investment Pool
Schedule of Investment Fees by Category**

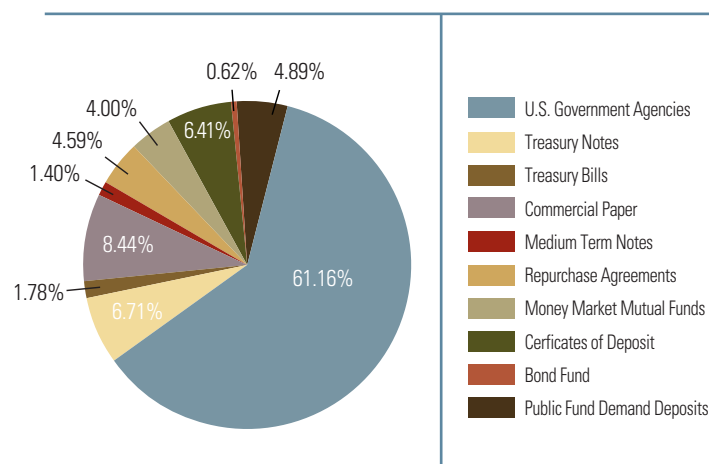
Fiscal Year End June 30, 2009

(amounts expressed in thousands)

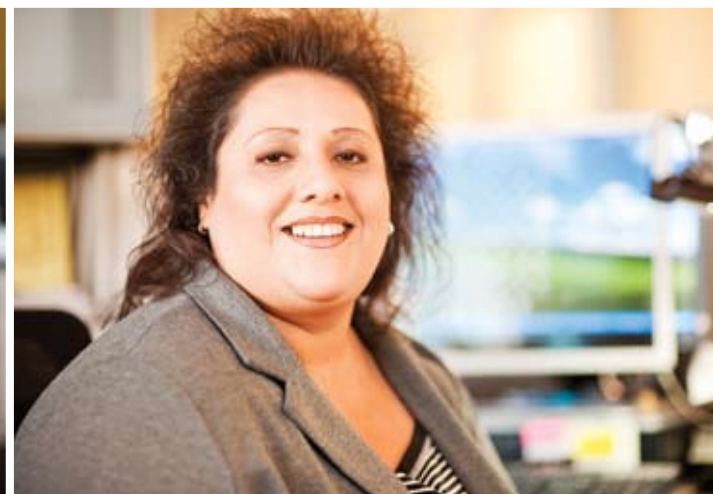
BANKING FEES	
Bank of America	\$23
Wells Fargo	1,325
Armored Transport	103
Banking Fees Total	1,451
CUSTODIAL FEES	
The Bank of New York Mellon	88
Custodial Fees Total	88
APPLICATION FEES	
Bloomberg Portfolio Order Management System	201
Sungard Investment Accounting System	340
Application Fees Total	541
Total Fees	\$2,080

**Chart 3: San Diego County Investment Pool
Asset Allocation at Fair Value,**

As of June 30, 2009



STATISTICAL SECTION



This section presents detailed information on the Investment Pool with historical perspective as a context for understanding and using the information in the financial statements, note disclosures, and required supplementary information.



Introduction

Government Accounting Standards Board (GASB) Statement 44 "Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)" requires that certain detailed statistical information be presented in this section, typically in ten-year trends, to assist users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information in order to assess the economic condition of the Investment Pool. Provisions of this Statement require that governments preparing this statistical section are encouraged but not required, to report all years of information retroactively.

Generally, complete ten-year trend information was unavailable due to the following:

- Accounting data used in the preparation of the Comprehensive Annual Financial Reports prior to the County's Fiscal Year 2002 implementation of changes in accounting and presentation called for in GASB Statement 34 "Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments" was not archived in such a manner to enable a retroactive restatement of previous years' accounting data.
- Non-accounting trend data called for by GASB Statement 44, which was significantly different than data reported in previous fiscal years' statistical tables, was either not available from external sources in the format required or was not available in internal archived data.

Objectives

This section presents detailed information on the Investment Pool with historical perspective as a context for understanding and using the information in the financial statements, note disclosures, and required supplementary information.

The following schedules contain seven-year trend information to help the reader assess the changes over time.

- **Schedule of Additions, Deductions of Pooled Investments and Changes In Net Assets**

This table allows the reader to evaluate the movements of increases and decreases in net assets.

- **Schedule of Earnings, Returns, Expenses, Apportionment Rate, Average Daily Balances (ADB) and Ratio of Fees/ADB**

This table contains information to help the reader assess the Investment Pool's performance. It also presents the related expenses and its impact on returns.

- **Schedule of Investment and Administrative Costs**

This table presents expenses by object to help the reader evaluate the fees and expenses incurred by the Investment Pool.

- **Asset Allocation at Fair Value**

This table presents historical changes in asset allocation to help the reader evaluate portfolio diversity and risk.

- **Asset Value by Major Participant**

This table presents historical changes in the value held by the Investment Pool participants to help the reader identify and assess the major groups who hold and contribute resources to the Investment Pool.

Table 9: San Diego County Investment Pool
Schedule of Additions, Deductions of Pool Investments and Changes in Net Assets (1)
(amounts expressed in whole numbers)

FOR THE FISCAL YEARS ENDED:	6/30/09	6/30/08	6/30/07	6/30/06	06/30/05	06/30/04	06/30/03
NET ASSETS, BEGINNING OF YEAR	\$5,072,465,123	\$4,566,611,085	\$4,004,178,164	\$4,131,299,129	\$3,799,621,101	\$3,858,274,156	\$3,252,138,901
ADDITIONS							
Additions to Pooled Investments (2)	11,267,908,077	11,314,634,544	11,909,698,604	28,473,113,569	26,593,131,286	37,800,817,256	36,207,523,331
Net Increase/(Decrease) in Fair Value of Investments	14,254,540	85,028,266	(22,259,995)	28,912,662	(27,930,661)	(36,912,555)	(3,735,502)
Net Investment Income	119,160,842	201,627,108	206,546,440	140,131,928	93,727,388	66,442,613	78,505,059
TOTAL ADDITIONS	11,401,323,459	11,601,289,918	12,093,985,049	28,642,158,159	26,658,928,013	37,830,347,314	36,282,292,888
DEDUCTIONS							
Deductions from Pooled Investments (2)	10,683,888,892	10,893,808,772	11,325,005,688	28,629,147,195	26,233,522,597	37,821,417,224	35,596,672,002
Distributions to Participants	113,592,340	197,271,678	202,150,125	136,174,373	89,470,591	63,539,605	75,555,211
Administrative Expenses	5,568,502	4,355,430	4,396,315	3,957,556	4,256,797	4,043,540	3,930,420
TOTAL DEDUCTIONS	10,803,049,734	11,095,435,880	11,531,552,128	28,769,279,124	26,327,249,985	37,889,000,369	35,676,157,633
CHANGES IN NET ASSETS	598,273,725	505,854,038	562,432,921	(127,120,965)	331,678,028	(58,653,055)	606,135,255
NET ASSETS, END OF YEAR	\$5,670,738,848	\$5,072,465,123	\$4,566,611,085	\$4,004,178,164	\$4,131,299,129	\$3,799,621,101	\$3,858,274,156

(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section.

(2) In fiscal year 2005/2006 and prior years, the Investment Pool reports included interfund activity in additions and deductions. As of fiscal year 2006/2007, the report has been revised to reflect elimination of interfund activity. The report is now on a net cash inflow and outflow basis which management believes is more representative of the Investment Pool's inflows and outflows and accounts for the significant decrease in additions and deductions in comparison to the prior year.

Table 10: San Diego County Investment Pool
Schedule of Earnings, Returns, Expenses, Apportionment Rate, Average Daily Balances (ADB) and Ratio of Fees/ADB (1)
(amounts expressed in whole numbers)

Fiscal Year	Interest Earnings	Effective Yield	Expenses	Net Distributed	Apport. Rate	Avg. Daily Balances (In Millions)	Ratio of Fees/ADB
2008/2009	\$121,241,248	2.26%	\$7,648,908	\$113,592,340	2.36%	\$5,188.0	0.147%
2007/2008	203,423,635	4.05%	6,151,957	197,271,678	4.61%	4,619.3	0.133%
2006/2007	208,254,888	4.58%	6,104,763	202,150,125	5.00%	4,277.6	0.143%
2005/2006	141,493,964	3.54%	5,319,592	136,174,372	3.47%	4,154.7	0.128%
2004/2005	94,916,466	2.32%	5,445,875	89,470,591	2.24%	4,182.8	0.130%
2003/2004	67,583,142	1.64%	4,043,540	63,539,602	1.59%	4,168.7	0.097%
2002/2003	79,485,631	2.38%	3,930,420	75,555,211	2.32%	3,430.2	0.115%

(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section.

**Table 11: San Diego County Investment Pool
Schedule of Investment and Administrative Costs (1)**
(amounts expressed in whole numbers)

FOR THE FISCAL YEARS ENDED:	6/30/09	6/30/08	6/30/07	6/30/06	06/30/05	06/30/04	06/30/03
INVESTMENT EXPENSES:							
Banking	\$1,451,443	\$1,449,664	\$1,317,570	\$1,071,080	\$857,252	\$967,323	\$807,794
State Street Bank-Custodial	-	-	84,971	94,496	109,612	88,182	88,974
The Bank of New York Mellon-Custodial	87,499	80,000	31,250	-	-	-	-
Bloomberg	201,067	248,093	256,232	185,417	217,186	56,600	52,745
Sungard Financial Systems	340,397	18,770	18,425	11,043	5,028	28,424	31,059
TOTAL INVESTMENT EXPENSES	2,080,406	1,796,527	1,708,448	1,362,036	1,189,078	1,140,529	980,572
ADMINISTRATIVE EXPENSES:							
Allocated Costs by County:							
Equipment Cost	49,205	56,252	16,985	56,336	55,153	65,815	57,566
Computer Related Expenses:							
Software Services	6,130	4,187	12,903	163,011	10,161	56,371	40,500
WASSAU Financial Systems	37,632	69,574	149,196	163,990	232,007	-	-
Computer Leases and Data	31,664	-	-	-	-	-	-
OTG Software Inc	-	-	-	-	-	-	77,490
Salaries and Benefits	3,374,093	2,621,940	2,611,336	2,107,955	1,947,523	1,750,405	1,540,932
Services and Supplies	947,568	576,586	485,834	269,158	1,016,979	106,680	402,262
Department Overhead	464,321	519,810	502,131	400,395	210,900	347,421	242,346
External Overhead	437,889	287,081	397,930	576,711	564,074	426,319	438,752
Sub-Total	5,348,502	4,135,430	4,176,315	3,737,556	4,036,797	2,753,011	2,799,848
Auditor & Controller Allocated Cost	220,000	220,000	220,000	220,000	220,000	150,000	150,000
TOTAL ADMINISTRATIVE COST	5,568,502	4,355,430	4,396,315	3,957,556	4,256,797	2,903,011	2,949,848
Total Expenses	\$7,648,908	\$6,151,957	\$6,104,763	\$5,319,592	\$5,445,875	\$4,043,540	\$3,930,420

(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section.

**Table 12: San Diego County Investment Pool
Asset Allocation at Fair Value (1)**

(amounts expressed in thousands, except percentages)

INVESTMENT TYPE	6/30/09		6/30/08		6/30/07		6/30/06		6/30/05		6/30/04		6/30/03	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
U.S. Government Agencies	\$3,443,523	64.32%	\$3,014,950	59.96%	\$643,197	14.14%	\$1,645,272	41.19%	\$1,793,294	43.92%	\$1,460,381	38.82%	\$1,586,692	41.46%
U.S. Treasury Notes	377,797	7.06%	377,359	7.50%	319,459	7.02%	-	-	98,555	2.41%	123,016	3.27%	-	-
U.S Treasury Bills	99,920	1.87%	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Paper	474,925	8.87%	619,295	12.32%	1,708,348	37.54%	1,190,899	29.82%	1,135,940	27.82%	1,049,756	27.91%	1,209,651	31.61%
Corporate Medium-Term Notes	78,853	1.47%	98,270	1.95%	228,303	5.02%	324,129	8.12%	294,883	7.22%	175,232	4.66%	61,300	1.60%
Repurchase Agreements	258,370	4.82%	360,677	7.17%	302,494	6.65%	218,391	5.47%	50,000	1.23%	200,000	5.32%	325,000	8.49%
Certificates of Deposit*	360,581	6.73%	440,035	8.75%	1,245,259	27.37%	484,821	12.14%	623,287	15.27%	669,739	17.80%	325,275	8.50%
Money Market Mutual/Bond Funds	260,040	4.86%	78,165	1.56%	56,950	1.25%	54,050	1.35%	27,600	0.68%	34,400	0.91%	319,100	8.34%
Asset Backed Notes	-	-	39,523	0.79%	46,141	1.01%	76,307	1.91%	59,128	1.45%	49,313	1.31%	-	-
TOTAL	\$5,354,009	100.00%	\$5,028,274	100.00%	\$4,550,151	100.00%	\$3,993,869	100.00%	\$4,082,687	100.00%	\$3,761,837	100.00%	\$3,827,018	100.00%

(1) 10 year trend data is not available, see explanatory information in Introduction to the Statistical Section.

*Prior to 6/30/09 negotiable and collateralized certificates of deposit were segregated.

**Table 13: San Diego County Investment Pool
Asset Value by Major Participant (1)**

(amounts expressed in thousands, except percentages)

PARTICIPANT	6/30/09		6/30/08		6/30/07		6/30/06		6/30/05		6/30/04		6/30/03	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
County	\$1,816,616	33.93%	\$1,846,556	36.72%	\$1,886,003	41.44%	\$1,512,448	37.87%	\$1,326,085	32.48%	\$1,419,976	37.75%	\$1,084,197	28.33%
Non County Investments	266,094	4.97%	198,535	3.95%	241,386	5.31%	238,034	5.96%	388,864	9.52%	126,864	3.37%	484,839	12.67%
K-12 Schools	2,573,672	48.07%	2,170,480	43.17%	1,974,358	43.39%	1,963,386	49.16%	1,946,789	47.68%	1,887,028	50.16%	1,820,997	47.58%
Community Colleges	513,985	9.60%	621,438	12.36%	375,286	8.25%	224,455	5.62%	354,746	8.69%	231,956	6.17%	274,865	7.18%
Voluntary Deposits	153,660	2.87%	173,982	3.46%	77,426	1.70%	74,685	1.87%	94,134	2.31%	124,800	3.32%	152,709	3.99%
Undistributed and Unrealized Gains/Losses	29,982	0.56%	17,283	0.34%	(4,308)	-0.09%	(19,139)	-0.48%	(27,931)	-0.68%	(28,787)	-0.77%	9,411	0.25%
TOTAL	\$5,354,009	100.00%	\$5,028,274	100.00%	\$4,550,151	100.00%	\$3,993,869	100.00%	\$4,082,687	100.00%	\$3,761,837	100.00%	\$3,827,018	100.00%

(1) 10 year trend data is not available, see explanatory information in Introduction to the Statistical Section. Participant balances are allocated to total investments at fair value at fiscal year end.





Public Debt in the Current Landscape

Treasurer-Tax Collector Department





San Diego County Treasurer-Tax Collector
1600 Pacific Highway, Room 152, San Diego, CA 92101



30% Post-Consumer Waste

